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Director, Card Technology Division
Financial Management Service
U.S. Department of the Treasury
Room 526, Liberty Center
401 14th Street, S. W.
Washington, D.C. 20227

John P. Galligan:

The following are comments on the proposed rule 31 CFR Part 207:

Part 207.3(a)(1). "-the financial agent answers only to the principal. The Financial Agent opens an account for the unbanked recipient at Treasury's direction and may close the account only at Treasury's direction." -This position doesn't recognize the duality of ownership when state administered funds are included in the account. If the EBT account is set up by the State and the Federal Direct Benefits are added to a state account, the state shouldn't be expected to relinquish all rights and control over the recipient account. Does this also mean that the Treasury will set the timeframes for dormancy and escheat? What about recoupment of state funds utilizing federal assets and vice-versa? Can a third party process adjustments through to the account for settlement errors?

Part 207.3(a)(2) "-the Financial agent must comply with Regulation E" How will the funds be segregated for replacement purposes? Who will decide whether the loss is covered under individual state rules dealing with -loss under duress? Is the federal funds portion of this account subject to reserve and FDIC requirements?

Part 207.3(a)(4) "-the financial agent is required to issue to each unbanked recipient a debit card bearing the Treasury's registered service mark for EBT, the Benefit Security Card." - This position doesn't recognize the fact that there are no network contracts or operating rules that would govern the use of the Benefit Security Mark. During the Citibank Texas project, the Cirrus mark was the network processing mark and the rules were Cirrus rules. States will issue State access cards with QUEST as the basis for Operating Rules and potential network routing. States are not inclined to adopt the Benefit Security Mark and the attendant Credit

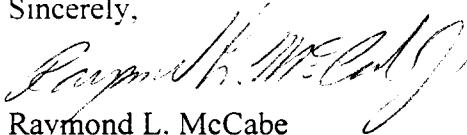
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Card specification baggage. Does the Benefit Security Mark cover interoperable transactions? How would fees for these transactions be apportioned between federal and state funds? When will Treasury specify the terms and conditions for card use at ATMs and POS terminals?

Part 207.3(a)(3) "-A number of states distribute cash benefits, such as AFDC and unemployment compensation, through the ACH. Proposed 207.(a)(3) authorizes the Financial Agent for EBT to credit such payments to the account established pursuant to 207.3(a)(1)" - This is a confusing reference to the method of funding for an EBT account. The state established EBT accounts do not utilize ACH to fund the benefit. The benefits are memo posted as authorizations and no funds are transferred. This reference is more appropriate to Direct Deposit account funding.

Overall, the proposed rules fail to address the requirements for Federal Direct being added to a state established account with a state issued card that is subject to a state contract.

Sincerely,

A handwritten signature in cursive script, appearing to read "Raymond L. McCabe".

Raymond L. McCabe
EBT Coordinator